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UNITED STATES DISTRICT COURT

DISTRICT OF NEVADA

GERALDINE LONGBINE, Derivatively On Behalf of BALLY TECHNOLOGIES, INC.,

Plaintiff,

vs.

ROBERT L. MIODUNSKI, ROBERT L. SAXTON, STEVEN DES CHAMPS, MARK LERNER, DAVID ROBBINS, ANTHONY DICESARE, JOEL KIRSCHBAUM, KEVIN VERNER, RICHARD HADDRILL, STEPHEN M. RACE AND JACQUES ANDRÉ,

Defendants,

- and -

BALLY TECHNOLOGIES, INC., a Nevada corporation,

Nominal Defendant.

Civil Action No. 06-CV-00373-LDG-RJJ

STIPULATION OF SETTLEMENT

This Stipulation of Settlement dated as of February 23, 2007 (the "Stipulation") is made and entered into by and among the following parties to the above-entitled action: (i) derivative plaintiff Geraldine Longbine (on behalf of herself and derivatively on behalf of Bally Technologies, Inc. (formerly Alliance Gaming Corporation) ("Bally" or the "Company")); and (ii) the Individual Defendants (as defined in Section IV, ¶ 1.5), and nominal defendant Bally (collectively the parties identified in (i) and (ii) are referred to herein as "the Settling Parties," as defined in Section IV, ¶ 1.14 hereof). The Stipulation is intended by the Settling Parties to fully, finally and forever resolve, discharge and settle the Released Claims (as defined in Section IV, ¶ 1.10 hereof), upon and subject to the terms and conditions hereof.

I. THE LITIGATION

On March 27, 2006, Plaintiff filed a shareholder derivative complaint on behalf of Bally against the Individual Defendants, officers and/or directors of Bally, alleging that: (1) the Individual Defendants breached their fiduciary duties of loyalty and good faith by causing Bally to issue false and misleading information to its stockholders and the investing public regarding Bally's financial results and business prospects; (2) each of the Individual Defendants breached their fiduciary duties by failing to prevent the issuance of the false and misleading information; (3) each of the Individual Defendants abused their control; (4) each of the Individual Defendants grossly mismanaged Bally; (5) each of the Individual Defendants wasted Bally's corporate assets; (6) each of the Individual Defendants were unjustly enriched; (7) defendants Robert L. Miodunski, Robert L. Saxton and Richard Haddrill violated Section 304 of the Sarbanes-Oxley Act of 2002; and (8) the Individual Defendants' breaches of their fiduciary duties damaged Bally's corporate image and goodwill, exposed Bally to pending actions in the securities fraud class actions entitled: *Tyler v. Alliance Gaming Corp., et al.*, Case No. 04-cv-00821-BES-PAL, *Sprung v. Alliance Gaming Corp., et al.*, Case No. 04-cv-00857-BES-PAL, *Marzano v. Alliance Gaming Corp., et al.*, Case No. 04-cv-00905-BES-PAL, *Houldin v. Alliance Gaming Corp., et al.*, Case No. 04-cv-00906-BES-PAL and *Alperson v. Alliance Gaming Corp., et al.*, Case No. 04-cv-01158-BES-PAL, all of which were consolidated as *In re Alliance Gaming Corporation Securities Litigation*, Lead Case No. 04-cv-00821-BES-PAL (the "Securities Class Actions"), and caused Bally to incur the costs of: (a) defending and settling the

Securities Class Actions; (b) responding to a formal SEC investigation; (c) the restatement of its financial statements for the 2003, 2004 and 2005 fiscal years; and (d) carrying out internal investigations concerning the restatement of its financial statements and related accounting and internal control issues. Plaintiff sought damages and other relief on behalf of Bally.

Plaintiff's Counsel in the action previously litigated *Bornstein v. Miodunski, et al.*, Case No. A488228, filed on July 2, 2004 and *Karlin v. Miodunski, et al.*, Case No. A488230, filed on July 2, 2004 in the District Court for Clark County, Nevada, which were consolidated into *In re Alliance Gaming Corp. Derivative Litigation*, Case No. 04-A-488228-C, on behalf of Alliance Gaming Corporation (the "State Action") without receiving any compensation for their efforts. The current action and the State Action are collectively referred to herein as the "Litigation."

II. DEFENDANTS' DENIALS OF WRONGDOING AND LIABILITY

The Individual Defendants (as defined in Section IV, ¶ 1.5) and Bally have denied and continue to deny the allegations of wrongdoing, liability and/or violations of any laws, and/or any damage whatsoever by reason of any of matters complained of in the Litigation, and contend that they acted properly and lawfully at all times and deny that Plaintiff or Bally have been damaged. Neither the Stipulation nor any of its terms shall constitute an admission or finding of fact, wrongful conduct, acts or omissions and/or any violation of law on the part of any defendant or to be admissible in any proceeding (other than one to enforce the terms of the Stipulation).

Nonetheless, the Individual Defendants and Bally have concluded that further conduct of the Litigation would be protracted, risky and expensive, and that it is desirable that the Litigation be fully and finally settled in the manner and upon the terms and conditions set forth in this Stipulation. The Individual Defendants and Bally also have taken into account the uncertainty and risks inherent in any litigation, especially in complex cases such as the Litigation. The Individual Defendants and Bally have, therefore, determined that it is desirable and beneficial for the Company that the Litigation be settled in the manner and upon the terms and conditions set forth in this Stipulation.

III. CLAIMS OF THE PLAINTIFF AND BENEFITS OF SETTLEMENT

Plaintiff believes that the claims asserted in the Litigation have merit. However, Plaintiff's Counsel recognize and acknowledge the expense and length of continued proceedings necessary to prosecute the Litigation against the Individual Defendants through trial and, potentially, through appeals. Plaintiff's Counsel also have taken into account the uncertain outcome inherent in any litigation, especially in complex actions such as the Litigation, as well as the difficulties and delays of such litigation. Plaintiff's Counsel also are mindful of the inherent problems of proof under and possible defenses to the claims asserted in the Litigation. Plaintiff's Counsel believe that the Settlement set forth in this Stipulation confers substantial benefits upon Bally. Based on a thorough investigation of the facts, Plaintiff's Counsel have determined that the Settlement set forth in the Stipulation is fair, reasonable and adequate and in the best interests of Plaintiff, Bally and Bally's stockholders.

IV. TERMS OF STIPULATION AND AGREEMENT OF SETTLEMENT

NOW, THEREFORE, IT IS HEREBY STIPULATED AND AGREED by and among Plaintiff (for herself and derivatively on behalf of Bally), Bally, and the Individual Defendants, by and through their respective counsel of record, that, subject to the approval of the Court, the Litigation and the Released Claims shall be finally and fully compromised, settled and released, and the Litigation shall be dismissed with prejudice, as to all Settling Parties, upon and subject to the terms and conditions of the Stipulation, as follows.

1. Definitions

As used in the Stipulation the following terms have the meanings specified below:

1.1 "Court" means the United States District Court for the District of Nevada.

1.2 "Effective Date" means the first date by which all of the events and conditions specified in Section IV, ¶ 1.4 of the Stipulation have been met and have occurred.

1.3 "Securities Class Actions" means *In re Alliance Gaming Corporation Securities Litigation*, Lead Case No. 04-cv-00821-BES-PAL.

1.4 "Final" means the later of: (a) the date of final affirmance on an appeal of the Judgment, the expiration of the time for a petition to review the Judgment and, if any such writ or petition is granted, the date of final affirmance of the Judgment following review pursuant to that grant; or (b) the date of final, non-appealable dismissal of any appeal from the Judgment or the final, non-appealable dismissal of any proceeding on petition for review of the Judgment; or (c) if no appeal is filed, the expiration date of the time for the filing or noticing of any appeal from the Court's Judgment approving the Stipulation. Provided, in no event shall Judgment be deemed "Final" for purposes of this Stipulation unless and until the dismissal with prejudice in *In re Alliance Gaming Corp. Derivative Litigation*, Case No. 04-A-488228-C, has become "Final" as defined in this paragraph.

1.5 "Individual Defendants" means Robert L. Miodunski, Robert L. Saxton, Steven Des Champs, Mark Lerner, David Robbins, Anthony Dicesare, Joel Kirschbaum, Kevin Verner, Richard Haddrill, Stephen M. Race and Jacques Andrè.

1.6 "Judgment" means the judgment to be rendered by the Court, substantially in the form attached hereto as Exhibit A, or as modified pursuant to the agreement of the Settling Parties.

1.7 "Person" means an individual, corporation, limited liability corporation, professional corporation, partnership, limited partnership, limited liability partnership, association, joint stock company, estate, legal representative, trust, unincorporated association, government or any political subdivision or agency thereof, and any business or legal entity and their spouses, heirs, predecessors, successors, representatives, or assignees.

1.8 "Plaintiff's Counsel" means: Robbins Umeda & Fink, LLP, Brian J. Robbins, Jeffrey P. Fink and Shane P. Sanders, 610 West Ash Street, Suite 1800, San Diego, CA 92101, Telephone: (619) 525-3990; Faruqi & Faruqi, LLP, Nadeem Faruqi, Shane Rowley and David Leventhal, 320 East 39th Street, New York, New York 10016, Telephone: (212) 983-9330; and Albright, Stoddard, Warnick & Palmer, P.C., G. Mark Albright and William B. Palmer, II, 801 South Rancho Drive, Quail Park, Suite D-4, Las Vegas, NV 89106, Telephone: (702) 384-7111.

1.9 "Related Persons" means each of an Individual Defendant's families, parent entities, affiliates or subsidiaries and each and all of Bally's respective past, present, or future officers, directors, employees, attorneys, accountants, insurers, co-insurers, reinsurers, auditors, heirs, executors, personal representatives, estates, administrators, predecessors, successors and assigns.

1.10 "Released Claims" shall collectively mean any and all claims, rights, and causes of action, whether based on federal, state, local, statutory or common law or any other law, rule, or regulation, including, without limitation, Unknown Claims (as defined in Section IV, ¶ 1.15) and claims under Nevada statutory and all other common law, federal and state securities laws and claims under any federal or state law governing fiduciaries or the duties of fiduciaries, that have been, could have been, or in the future might be or could be asserted in any forum by Bally shareholders on behalf of Bally against the Released Persons (as defined in Section IV, ¶ 1.11) relating to or arising out of the allegations contained in the complaints filed in the Litigation. The Released Claims shall not include the claims asserted in the Securities Class Actions (*In re Alliance Gaming Corporation Securities Litigation*, Lead Case No. 04-cv-00821-BES-PAL) in the United States District Court for the District of Nevada.

1.11 "Released Persons" means Bally and each and all of the Individual Defendants and the Related Persons.

1.12 "Plaintiff" means Geraldine Longbine, derivatively on behalf of Bally.

1.13 "Settlement" means the settlement contemplated by this Stipulation.

1.14 "Settling Parties" means, collectively, the Individual Defendants, Bally and Plaintiff.

1.15 "Unknown Claims" means any and all Released Claims which any plaintiff does not know or suspect to exist in his, her or its favor at the time of the release of the Released Parties, which if known by him, her or it might have affected his, her or its decision not to object to the Stipulation. With respect to any and all claims, the Settling Parties stipulate and agree that upon final approval, the Plaintiff shall, expressly and derivatively, be deemed to have, and by operation of the Judgment, shall have, expressly waived any and all provisions, rights and benefits conferred by any law of any state or territory of the United States, or any other state, sovereign or jurisdiction, or principle of common law which is similar, comparable, equivalent to or as contained in Cal. Civ. Code § 1542, which provides: "A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor." The Released Claims shall not, however, include the claims asserted in the Securities Class Action.

2. Settlement of the Derivative Claims

2.1 ***Monetary Contribution.***

As a result of Plaintiff's Counsels' efforts in the Litigation and resultant settlement negotiations, and subject to the other terms of this Settlement, the Individual Defendants and Bally have agreed that the Company would only make a limited contribution of Company assets towards the settlement of the Securities Class Actions. As a further and far more substantial part of this Settlement, the Individual Defendants and Bally have agreed to cause $14.25 million of available Director and Officer Insurance policies to be utilized for the settlement of the Securities Class Actions.

2.2 ***Corporate Governance.***

In connection with the Litigation and/or resolution of the Litigation,, the Board of Directors of Bally (the "Board") previously agreed to consider and, if appropriate, agree to the corporate governance measures described in the Corporate Governance Term Sheet attached as Exhibit B by March 30, 2007. The Board subsequently considered, and timely adopted, such corporate governance measures as a part of this Settlement. Moreover, Bally will maintain these provisions in effect for five years, or unless and until the Board determines in the exercise of its fiduciary duties that such provisions are no longer in the best interests of Bally and its shareholders.

Bally has also instituted a number of other corporate governance measures, some after the filing of the Litigation, summarized in Exhibit C (attached hereto), and agreed to regularly review and update such policies as a result of Bally's desire to further strengthen its corporate governance and continue to address certain related issues that underlie the Litigation. As an integral part of this settlement, Bally agrees that it will maintain these provisions in effect for five years, or unless and until the Board determines, in the exercise of its fiduciary duties, that such provisions are no longer in the best interests of Bally and its shareholders. Plaintiff's Counsels' prosecution of the Litigation contributed to Bally's agreement to these provisions.

3. Releases

3.1 Upon the entry of the Judgment, as defined in Section IV, ¶ 1.6, Plaintiff, on her own behalf individually and derivatively on behalf of Bally, Plaintiff's Counsel and Bally shall have, and by operation of the Judgment shall be deemed to have, fully, finally, and forever released, relinquished and discharged all Released Claims (including Unknown Claims) and any and all claims arising out of, relating to, or in connection with the Settlement or resolution of the Litigation against the Company, the Individual Defendants and the Released Persons.

3.2 Upon the entry of the Judgment, Bally and each of the Individual Defendants and Released Persons shall be deemed to have, and by operation of the Judgment shall have, fully, finally, and forever released, relinquished and discharged Plaintiff and Plaintiff's Counsel from all claims, arising out of, relating to, or in connection with their institution, prosecution, assertion, settlement or resolution of the Litigation or the Released Claims.

3.3 The Settling Parties will seek entry of the Judgment by the Court, dismissing the Litigation with prejudice and barring any claims that have been or might have been brought in any court or forum by Bally or any Bally stockholder on Bally's behalf relating to or arising out of allegations in the complaints filed in the Litigation.

4. **Plaintiff's Counsel's Fees and Reimbursement of Expenses**

4.1 Bally and the Individual Defendants shall, upon Court approval, cause the payment of fees and expenses of Plaintiff's counsel in an aggregate amount of $500,000 by the Defendants' insurance carriers within ten business days of the Court's Order granting final approval of this Settlement, subject to the joint and several obligation of Plaintiff's Counsel and their law firms (or their successors) to refund that amount (plus accrued interest), in the event of a reversal or modification on appeal. Such refund shall be paid to National Union Fire Insurance Company of Pittsburg, PA., within ten business days after any such appellate ruling becomes final. This payment shall constitute final and complete payment for Plaintiff's attorneys' fees and expenses that have been incurred or will be incurred in connection with the Litigation and the resolution of the derivative claims asserted in the Litigation and will be paid to Robbins Umeda & Fink, LLP ("RUF") as receiving agent for Plaintiff's Counsel. RUF shall be solely responsible for the distribution of Plaintiff's attorneys' fees, costs and expenses. Bally and the Individual Defendants shall have no responsibility for the allocation of the fees, costs and expenses awards among

Plaintiff's Counsel in the Litigation. The obligation to make an appropriate refund or repayment may be enforced by summary orders of the Court.

5. Conditions of Settlement, Effect of Disapproval, Cancellation or Termination

5.1 The Effective Date of the Stipulation shall be conditioned on the occurrence of all of the following events:

1. final Court approval of the Settlement; and
2. dismissal with prejudice of the Litigation, and the Judgment dismissing the Litigation has become Final as defined in Section IV, ¶ 1.4 above;

5.2 In the event that the Court shall ultimately approve the Settlement, the Parties shall submit to the Court an Order and Final Judgment directing consummation of the Settlement, approving the terms and conditions of the Settlement as described above, reserving jurisdiction over the effectuation of the Settlement, providing for the payment of attorneys' fees and expenses, as approved by the Court and as described below, and barring and enjoining Plaintiff and all other shareholders of the Company from litigating in this or any other action or proceeding any claims that are the subject of the Settlement herein, and further providing for the release by Plaintiff and all other shareholders of the Company of the Released Claims.

5.3 If all of the conditions specified in Section IV, ¶ 5.1 are not met, then the Stipulation shall be cancelled and terminated in accordance with the procedure in Section IV, ¶ 5.4, unless Plaintiff's Counsel and counsel for the Individual Defendants and the Company mutually agree in writing to proceed with the Stipulation.

5.4 In the event that all of the conditions to the Effective Date are not met, or the Stipulation is not approved, or is otherwise terminated for any reason:

(a) the parties shall be restored to their respective positions in the Litigation as of the date this Stipulation is executed; and

(b) this Stipulation and any related settlement documents shall be null and void and of no force and effect, and nothing herein shall be deemed to prejudice the position of any of the Settling Parties or any Released Persons with respect to the Litigation or otherwise, and neither the existence of the Stipulation, nor the facts of its existence nor any of the terms thereof, shall be admissible in evidence or shall be referred to for any purpose in the Litigation or in any other litigation.

6. **Miscellaneous Provisions**

6.1 The Settling Parties:

(a) acknowledge that it is their intent to consummate this Stipulation; and

(b) agree to cooperate to the extent reasonably necessary to effectuate and implement all terms and conditions of the Stipulation and to exercise their best efforts to accomplish the foregoing terms and conditions of the Stipulation.

6.2 The Settling Parties intend this Settlement to be a final and complete resolution of all disputes between them with respect to the Litigation. The Settlement compromises claims which are contested and shall not be deemed an admission by any Settling Party as to the merits of any claim, allegation or defense. While the Individual Defendants and Bally deny that the claims advanced in the Litigation were meritorious, the Individual Defendants and Bally agree and the final judgments will state that the Litigation was filed in good faith and in accordance with the applicable law, including without limitation Fed. R. Civ. Proc. 11 and N. R. C. P. 11, and is being settled voluntarily after consultation with competent legal counsel.

6.3 Neither the Stipulation nor the Settlement, nor any act performed or document executed pursuant to or in furtherance of the Stipulation or the Settlement: (a) is or may be deemed to be or may be used as an admission of, or evidence of, the validity of any Released Claim, or of any wrongdoing or liability of Bally, the Individual Defendants or the Released Persons; or (b) is or may be deemed to be or may be used as an admission of, or evidence of, any fault or omission of Bally or any of the Individual Defendants or the Released Persons in any proceeding of any nature. Bally or any Individual Defendant or Released Person may file the Stipulation and/or the Judgment in any action that has been or may be brought against him, her or it in order to support a defense or counterclaim based on principles of *res judicata*, collateral estoppel, release, good faith settlement, judgment bar, reduction or any other theory of claim preclusion or issue preclusion or similar defense or counterclaim.

6.4 The Exhibits to this Stipulation are a material and integral part hereof and are fully incorporated herein by this reference.

6.5 The Stipulation may be amended or modified only by a written instrument signed by or on behalf of all Settling Parties or their respective successors-in-interest.

6.6 This Stipulation and the Exhibits attached hereto constitute the entire agreement among the Settling Parties hereto and no representations, warranties or inducements have been made to any party concerning the Stipulation or its Exhibits other than the representations, warranties and covenants contained and memorialized in such documents. Except as otherwise provided herein, each party shall bear its own fees, costs and expenses.

6.7 Each counsel or other person executing the Stipulation or its Exhibits on behalf of any Settling Party hereto hereby warrants that such person has the full authority to do so.

6.8 The Stipulation may be executed in one or more counterparts. All executed counterparts and each of them shall be deemed to be one and the same instrument. A complete set of original executed counterparts shall be filed with the Court.

6.9 The Stipulation shall be binding upon, and inure to the benefit of, the successors and assigns of the Settling Parties hereto.

6.10 The Court shall retain jurisdiction with respect to implementation and enforcement of the terms of the Stipulation, and all Settling Parties hereto submit to the jurisdiction of the Court for purposes of implementing and enforcing the Settlement embodied in the Stipulation.

6.11 This Stipulation and the Settlement shall be governed by and construed in accordance with the laws of Nevada without regard to Nevada's conflict of laws rules. Any action concerning or arising out of the Stipulation or any aspect of the Settlement, or to enforce any of the terms thereof, shall be presented to, determined by, and venued in this Court, which shall retain jurisdiction over all such disputes.

IN WITNESS THEREOF, the Settling Parties hereto have caused the Stipulation to be executed, by their duly authorized attorneys, dated and effective as of February 23, 2007.

Dated: February 23, 2007

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Dated: February 27, 2007

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